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SUBJECT: MCA BI-WEEKLY REPORT -- JULY 26, 2004

REFS: A) YEREVAN 1556 B) HYUSYAN-DUTKEWYCH JULY 22 E-MAIL

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SUMMARY

11. (U) The GOAM has indicated that it may be ready to present its MCA compact proposal to the GOAM's MCA Board by September 1, and to follow this with a consultative process that we understand will include the donor community here. A recent consultative session in Armenia's Syunik region was a first-hand indication for Emboffs that the GOAM has taken the MCA process to the people, but that logistical complications resulting from using the country's Poverty Reduction Strategy Paper (PRSP) consultative structures may be causing the GOAM to miss some of its target audience. The GOAM acknowledged this issue during a recent GOAM MCA Board meeting and told the Embassy that it is addressing the problem and repeating meetings where all NGOs might not have had the opportunity to attend. Recent press releases regarding high-level USG-GOAM meetings in Washington and in Yerevan have put MCA-related issues back in the media spotlight. End Summary.

GOAM AIMS FOR SEPTEMBER 1 INTERNAL DEADLINE

12. (U) MCA issues dominated discussion during a July 21 meeting of Armenia's PRSP commission (ref B). USAID and IFI representatives attended the meeting at the GOAM's invitation. Minister of Finance and Economy Vardan Khachatryan announced during the meeting that the GOAM was reviewing the input and proposals from a number of NGOs and international organizations and would incorporate them to the extent possible into the GOAM's compact proposal by its internal September 1 deadline. According to Khachatryan, the GOAM will submit the proposal o/a that date to the GOAM MCA Board for comment and review. We understand that this will be followed by another round of public consultations, which will also include the donor community here, prior to submitting the compact proposal to the MCC.

13. (U) The MFE acknowledged publicly during the meeting that the use of the GOAM's PRSP consultative structure has caused some confusion in some cases and may have "unintentionally missed some of the NGO community." It was also reported on the sidelines of the meeting that the GOAM has instructed regional governments and PRSP NGO networks to repeat or expand consultative sessions in those areas where this may have occurred. According to reports, select Yerevan-based NGOs that have not attended or commented on previous MCA discussions, including the Open Society Institute, have been recently approached by the GOAM's MCA Board and invited to hold consultative sessions with their affiliate NGOs and submit their comments this month.

EMBOFFS ATTEND CONSULTATIVE SESSION IN SYUNIK REGION

14. (U) Embassy and USAID representatives attended a consultative meeting co-hosted by the GOAM MCA Board and municipal leaders in the southern town of Goris on July 23. Approximately 25 people attended the meeting, including three representatives of the GOAM MCA board (whose official capacities include responsibility for implementation of the GOAM's PRSP). NGOs sending representatives to the meeting included: The Goris Teacher's Union; the PERAS Organization; the Partnership Arch; the Goris Boomerang; the Goris Karate Federation; the Goris Artists' Union; the Tteni Partnership; and the Employees' and Teachers' Union of the Goris Arts Center.

15. (U) GOAM MCA Board representative and GOAM PRSP Coordinator Hovik Azizyan opened the meeting by explaining the GOAM's opinion that a tangible link should exist between the PRSP and any MCA compact submission. Azizyan presented the general sectors in which the GOAM expected to submit a

compact proposal (rural roads, irrigation, social sector including health and/or education). NGOs took an active role in the ensuing discussion and appeared unhindered in voicing their opinions. In a brainstorming session, NGO representatives and other attendees made a list of priority areas they want the GOAM to consider when completing its MCA compact proposal. The final list ranked the areas as follows:

- rehabilitation of irrigation and drinking water systems
- school renovation and heating projects
- rehabilitation of rural roads
- job creation programs

16. (SBU) NGOs, while calling the meeting mostly productive, voiced disappointment about what they perceived as lackluster participation by other NGOs in the region. They said that some NGO representatives were confused about the nature of the consultations and thought its purpose was to discuss the implications of the PRSP, not the MCA.

(Comment: Post has heard similar comments before. While the PRSP mechanism has enabled the GOAM to quickly mobilize, it brings with it a certain amount of history and perhaps even prejudice on the part of some NGOs. While far from totally debilitating it is a valid concern about the consultative process, which the GOAM appears committed to addressing - see para. 3 above. End Comment.) NGOs called on the GOAM and local leaders to convene an additional meeting in Goris and pledged to "activate" their internal NGO network to ensure that more NGOs were present for the next meeting.

RECENT DOMESTIC PRESS COVERAGE ON MCA

17. (U) There has been an increase in MCA-related media reports during recent weeks. There was generally objective reporting of Senior Presidential Economic Advisor Vahram Nercissiantz' mid-July meeting with the MCC Board in Washington. In addition, MCA issues featured prominently in coverage of Ambassador Ordway's July 13 meeting with Minister of Finance and Economy Khachatryan. Media reports tend to concentrate on the consultative process and emphasize the likely areas of concentration of Armenia's eventual MCA proposal (ref A). GOAM and World Bank sources tell us that regular domestic coverage of the GOAM's MCA consultative process (including meeting proceedings and updates) continues on Armenia's public television network. The Armenian Embassy in Washington has already begun publicizing an August 18 press conference at the National Press Club in Washington with Nercissiantz as likely to cover MCA issues.

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